Unit 12 Partnership Answers

1 – Statement of Financial Position

Oliver Carter and Eliza Rossini in Partnership, Trading as Oliza
Statement of Financial Position as at 31 December

	£	£	£
Non-current Assets	Cost	Provisions for depreciation	Net book value
Property	180 000	11 000	169 000
Fixtures and fittings	20 000	10 000	10 000
	200 000	21 000	179 000
Current Assets			
Inventory		30 000	
Trade receivables		2 000	
Prepayment of expenses		600	
		32 600	
Less Current Liabilities			
Trade payables	9 000		
Accrual of expenses	1800		
Bank overdraft	7 000		
		17 800	
Net Current Assets			14 800
			193 800
Less Non-current Liabilities			
Bank Loan			60 000
NET ASSETS			133 800
FINANCED BY			
Capital Accounts			
Oliver Carter		60 000	
Eliza Rossini		35 000	
			95 000
Current Accounts	O Carter	E Rossini	
Opening balance	3 000	1 000	
Add: Salary		10 000	
Interest on capital	6 000	3 500	
Share of profit	47 400	47 400	
	56 400	61 900	
Less drawings	34 000	44 600	
Goods for own use	500	400	
	21 900	16 900	
			38 800
			133 800

2 - Admission of a new partner

Statement of financial position of Olizer as at 31st December ..

	£
Net Assets	140 000
Capital Accounts	
Oliver	80 000
Eliza	60 000
	140 000

Dr **Partners' Capital Accounts** Cr

	Oliver £	Eliza £	Ricardo £		Oliver £	Eliza £	Ricardo £
Goodwill written off	16 000	16 000	8 000	Balances b/d	80 000	60 000	-
Balances c/d	84 000	64 000	24 000	Goodwill created	20 000	20 000	-
				Bank			32 000
	100 000	80 000	32 000		100 000	80 000	32 000
				Balances b/d	84 000	64 000	24 000

Dr **Goodwill Account** Cr

		£			£
Capital accounts:			Capital accounts:		
Oliver	Goodwill	20 000	Oliver	Goodwill	16 000
Eliza	created	20 000	Eliza	written off	16 000
			Ricardo		8 000
		40 000			40 000

Statement of financial position of Olizer as

at 1st January ..

	£
Net Assets (140 000 + 32 000)	172 000
Capital Accounts	
Oliver (80 000 + 20 000 - 16 000)	84 000
Eliza (60 000 + 20 000 - 16 000)	64 000
Ricardo (32 000 – 8000)	24 000
	172 000

3 – Revaluation of assets

Dr **Revaluation Account** Cr

	£		£
Fixtures and fittings	10 000	Property	50 000
Inventory	8 000		
Provision for doubtful debt	2 000		
Capital account:			
Oliver	10 000		
Eliza	10 000		
Ricardo	10 000		
	50 000		50 000

Dr **Goodwill Account** Cr

Oliver	Goodwill	10 000	Oliver	Goodwill	15 000
Eliza	created	10 000	Ricardo	Written off	15 000
Ricardo		10 000			
		30 000			30 000

Oliza
Statement of Financial Position as at 1st January

	£	£
Non-current Assets		Net book value
Property		170 000
Fixtures and fittings		30 000
		200 000
Current Assets		
Inventory	12 000	
Trade receivables	8 000	
Less doubtful debts	(2 000)	
Bank	12 000	
	30 000	
Less Current Liabilities		
Trade payables	30 000	
Net Current Assets		0
Less Non-Current Liabilities		
Loan account of Eliza (60 000 + 10 000 + 10 000)		80 000
NET ASSETS		120 000
FINANCED BY		
Capital Accounts		
Oliver (70 000 + 10 000 + 10 000 - 15 000)		75 000
Ricardo (40 000 + 10 000 + 10 000 - 15 000)		45 000
		120 000

4 – Partner leaving

Statement of financial position of Olizer as at 31st December ..

	£
Net Assets	150 000
Capital Accounts	
Oliver	65 000
Eliza	55 000
Ricardo	30 000
	150 000

Partners' Capital Accounts

Dr
Cr

	Oliver	Eliza	Ricardo		Oliver	Eliza	Ricardo
	£	£	£		£	£	£
Goodwill written off	20 000	-	10 000	Balances b/d	65 000	55 000	30 000
Loan account		10 000					
Bank		57 000					
Balances c/d	57 000		26 000	Goodwill created	12 000	12 000	6 000
	77 000	67 000	36 000		77 000	67 000	36 000
				Balances b/d	57 000	-	26 000

Goodwill Account

Dr
Cr

Oliver	Goodwill	12 000	Oliver	Goodwill	15 000
Eliza	created	12 000	Ricardo	Written off	15 000
Ricardo		6 000			
		30 000			30 000

Statement of financial position of Olizer as at 1st January ..

	£
Net Assets (150 000 - £57 000 to Eliza)	93 000
Less Loan account of Eliza	10 000
	83 000
Capital Accounts	
Oliver (65 000 + 12 000 - 20 000)	57 000
Ricardo (30 000 + 6 000 – 10 000)	26 000

83 000

5 – Changes in profit sharing ratios

Statement of financial position of Olizer as at 31st December ..

	£
Net Assets	90 000
Capital Accounts	
Oliver	50 000
Ricardo	40 000
	90 000

Dr **Partners' Capital Accounts** Cr

	Oliver £	Ricardo £		Oliver £	Ricardo £
Goodwill written off	15 000	15 000	Balances b/d	50 000	40 000
Balances c/d	55 000	35 000	Goodwill created	20 000	10 000
	70 000	50 000		70 000	50 000
			Balances b/d	55 000	35 000

Dr **Goodwill Account** Cr

Oliver	Goodwill	20 000	Oliver	Goodwill	15 000
Ricardo	created	10 000	Ricardo	Written off	15 000
		30 000			30 000

Statement of financial position of Olizer as at 1st January ..

	£
Net Assets	90 000
Capital Accounts	
Oliver (50 000 + 20 000 – 15 000)	55 000
Ricardo (40 000 + 10 000 – 15 000)	35 000
	90 000